

Message Text

UNCLASSIFIED

PAGE 01 THE HA 02912 01 OF 03 261433Z
ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-01 INR-10 IO-14 NEA-11 NSAE-00 ICA-20
OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 XMB-04 NSC-05 STR-07 PA-02 L-03
DOE-15 SOE-02 OES-07 /169 W
-----125795 270615Z /14

R 261330Z MAY 78
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 2712
AMEMBASSY JAKARTA
INFO AMEMBASSY BONN
AMEMBASSY CANBERRA
AMEMBASSY LONDON
AMEMBASSY MANILA
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY TOKYO
AMEMBASSY WELLINGTON

UNCLAS SECTION 1 OF 3 THE HAGUE 2912

USOECD

MANILA FOR USADB

E.O. 11652 NA
TAGS: EAID ID
SUBJECT: PRESS COMMUNIQUE -- MEETING OF INTER-GOVERNMENTAL
GROUP ON INDONESIA - AMSTERDAM, MAY 22-23, 1978

1. FOLLOWING IS THE TEXT OF THE PRESS COMMUNIQUE ISSUED AT
THE CLOSE OF THE MEETING OF THE INTER-GOVERNMENTAL GROUP ON
INDONESIA MAY 23.

2. QUOTE ON 22 AND 23 MAY 1978 THE INTER-GOVERNMENTAL GROUP
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 THE HA 02912 01 OF 03 261433Z

ON INDONESIA CONVENED IN AMSTERDAM TO CONSIDER THE RECENT
PERFORMANCE OF THE INDONESIAN ECONOMY, TO EXAMINE THE DEVELOP-
MENT PROSPECTS AND TO DISCUSS INDONESIA'S EXTERNAL FINANCING
REQUIREMENTS FOR THE FISCAL YEAR 1978/79.

3. QUOTE THIS TWENTY-FIRST MEETING OF THE GROUP WAS
ATTENDED BY DELEGATIONS OF AUSTRALIA, AUSTRIA, BELGIUM,

CANADA, FRANCE, THE FEDERAL REPUBLIC OF GERMANY, INDONESIA, ITALY, JAPAN, THE NETHERLANDS, NEW ZEALAND, SWITZERLAND, THE UNITED KINGDOM AND THE UNITED STATES OF AMERICA. REPRESENTATIVES OF THE INTERNATIONAL MONETARY FUND, THE WORLD BANK, THE ASIAN DEVELOPMENT BANK AND THE UNITED NATIONS DEVELOPMENT PROGRAMME PARTICIPATED IN THE DISCUSSIONS. OBSERVERS FROM THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT, THE EUROPEAN ECONOMIC COMMUNITY, THE UNITED NATIONS CHILDREN'S FUND, DENMARK AND SPAIN - THE LAST MENTIONED FOR THE FIRST TIME - ALSO ATTENDED.

4. QUOTE THE DELEGATION OF THE REPUBLIC OF INDONESIA REPORTED ON MAJOR DEVELOPMENTS IN THE INDONESIAN ECONOMY SINCE THE LAST MEETING OF THE GROUP IN APRIL 1977. DESPITE THE DISAPPOINTING DEVELOPMENTS IN THE WORLD ECONOMY, THE INDONESIAN ECONOMY HAD GROWN AT A SATISFACTORY RATE OF ABOUT SEVEN PERCENT IN THE PAST YEAR. A BUOYANT BALANCE OF PAYMENTS CONTRIBUTED TO THIS PERFORMANCE. BOTH OIL AND NON-OIL EXPORTS INCREASED. SAVINGS IN FOREIGN EXCHANGE EXPENDITURE WERE ACHIEVED THROUGH THE FURTHER DEVELOPMENT OF IMPORT SUBSTITUTING INDUSTRIES, DOMESTIC INVESTMENT CONTINUED TO BE HIGH, AND INFLATION WAS FURTHER REDUCED FROM 12 PERCENT IN 1976/77 TO ABOUT 10 PERCENT IN 1977/78. HOWEVER, A SIZABLE PORTION OF INCREASED EXPORT EARNINGS AND FOREIGN EXCHANGE SAVINGS WAS USED TO IMPORT CON-

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 THE HA 02912 01 OF 03 261433Z

SIDERABLE QUANTITIES OF RICE NEEDED TO MEET THE SHORT-AGE IN PRODUCTION CAUSED BY PEST INFESTATION AND UNFAVORABLE WEATHER CONDITIONS.

5. QUOTE THE INDONESIAN DELEGATION REPORTED ON A NUMBER OF MEASURES IMPLEMENTED IN ORDER TO IMPROVE THE INDONESIAN INVESTMENT CLIMATE AND TO STIMULATE EXPORT ACTIVITIES, TO REDUCE PRODUCTION COSTS AND ENCOURAGE LABOR INTENSIVE ACTIVITIES.

6. QUOTE THE INDONESIAN DELEGATION OBSERVED THAT THE EXPERIENCE OF THE PAST YEARS HAD CLEARLY BEEN CONSISTENT WITH THE TRIPLE OBJECTIVES OF INDONESIA'S DEVELOPMENT STRATEGY OF EQUITY, GROWTH AND STABILITY. THE FURTHERANCE OF THESE OBJECTIVES WOULD REQUIRE IMPLEMENTATION OF A COMPREHENSIVE EMPLOYMENT POLICY, A NATIONAL FOOD POLICY AND RAPID IMPROVEMENT AND EXPANSION OF SOCIAL SERVICES, DIRECTED ESPECIALLY TOWARDS THE LOWER INCOME GROUPS IN SOCIETY. IN ADDITION IT WOULD REQUIRE A STEPPED UP DOMESTIC SAVINGS EFFORT.

7. QUOTE THE REPRESENTATIVES OF THE WORLD BANK AND THE IMF

COMMENTED FAVORABLY ON INDONESIA'S RECENT PROGRESS, HOWEVER,
ATTENTION WAS DRAWN TO THE EXPECTATION THAT OIL REVENUES
WILL NOT INCREASE SIGNIFICANTLY IN THE NEXT FEW YEARS

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 THE HA 02912 02 OF 03 261534Z
ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-01 INR-10 IO-14 NEA-11 NSAE-00 ICA-20
OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 XMB-04 NSC-05 STR-07 PA-02 L-03
DOE-15 SOE-02 OES-07 /169 W
-----126232 270614Z /14

R 261330Z MAY 78
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 2713
AMEMBASSY JAKARTA
INFO AMEMBASSY BONN
AMEMBASSY CANBERRA
AMEMBASSY LONDON
AMEMBASSY MANILA
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY TOKYO
AMEMBASSY WELLINGTON

UNCLAS SECTION 2 OF 3 THE HAGUE 2912

USOECD

MANILA FOR USADB

AND TO THE IMPLICATIONS OF THIS FOR PUBLIC REVENUE COL-
LECTION. BOTH ORGANIZATIONS ALSO EXPRESSED CONCERN ABOUT
THE RECENT UNSATISFACTORY LEVEL OF FOOD PRODUCTION AND THE
CONSEQUENT NEED FOR LARGE SCALE RICE IMPORTS. IT WAS
EMPHASIZED THAT WITH THE GROWTH OF INCOME AND POPULATION
IN THE EARLY EIGHTIES INDONESIA'S AVAILABLE DEVELOPMENT
RESOURCES COULD BE HEAVILY PRE-EMPTED BY FOOD IMPORTS, UN-
LESS THE GROWTH OF FOOD PRODUCTION IMPROVED SIGNIFICANTLY.

8. QUOTE WITH REGARD TO EMPLOYMENT AND INCOME DISTRIBUTION
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 THE HA 02912 02 OF 03 261534Z

TION THE REPRESENTATIVE OF THE WORLD BANK NOTED THAT RECENT DEVELOPMENTS GAVE CAUSE FOR BOTH SATISFACTION AND CONCERN; SATISFACTION THAT EMPLOYMENT APPEARED TO HAVE GROWN AT LEAST AS FAST AS THE LABOR FORCE IN THE FIRST HALF OF THE PRESENT DECADE, CONCERN THAT, DESPITE HEAVY INVESTMENTS IN INDUSTRY AND URBAN ACTIVITIES, THERE HAD BEEN A RELATIVELY SMALL NUMBER OF JOBS ADDED IN THE INDUSTRIAL SECTOR. THE GROWTH OF EMPLOYMENT OPPORTUNITIES IN AGRICULTURE WILL BE SERIOUSLY LIMITED IN FUTURE AND THEREFORE THE BULK OF NEW EMPLOYMENT WILL HAVE TO BE IN INDUSTRY AND OTHER NON-AGRICULTURAL SECTORS. IT WAS A CAUSE FOR CONCERN THAT PRIVATE INDUSTRIAL INVESTMENT HAD BEEN SLOW TO RESPOND TO OPPORTUNITIES. IN THIS RESPECT IT WAS ENCOURAGING THAT STEPS HAD ALREADY BEEN TAKEN TO STREAMLINE PROCEDURES EFFECTIVE PRIVATE INDUSTRY.

9. QUOTE THE WORLD BANK NOTED THAT ONE OF THE MOST ENCOURAGING DEVELOPMENTS WAS THE SIGNIFICANT DECLINE IN POPULATION GROWTH AND FERTILITY IN INDONESIA IN THE PERIOD 1971-1976. THE FAMILY PLANNING PROGRAM HAD SUCCEEDED IN REDUCING THE OVERALL POPULATION GROWTH RATE TO BELOW TWO PERCENT.

10. QUOTE THE GROUP ENDORSED IN GENERAL THE ANALYSIS MADE BY THE BANK AND THE FUND AND CONCLUDED THAT THE PROGRESS MADE BY THE ECONOMY CONTINUED TO BE SATISFACTORY AND THAT FURTHER DEVELOPMENT WOULD REQUIRE INTENSIFIED EFFORTS. IT WAS NOTED THAT INDONESIA'S PERFORMANCE IN RESOURCE MOBILIZATION HAD BEEN ONE OF THE MOST CREDITABLE AMONG DEVELOPING COUNTRIES. NEVERTHELESS, WITH THE RAPID INCREASE IN THE DOMESTIC CONSUMPTION OF OIL, THE DECLINING RATE OF INCREASE IN OIL PRODUCTION AND THE CONSEQUENT UNCERTAIN PROSPECTS FOR OIL REVENUES, THE

UNCLASSIFIED

PAGE 03 THE HA 02912 02 OF 03 261534Z

RELATIVE CONTRIBUTION OF OIL EXPORTS TO DOMESTIC INVESTIBLE RESOURCES WAS LIKELY TO DECLINE. A BROADENING OF THE BASE OF DOMESTIC RESOURCE MOBILIZATION WOULD THEREFORE BE REQUIRED IN ORDER TO MAINTAIN THE MOMENTUM OF DEVELOPMENT.

11. QUOTE THE GROUP DISCUSSED THE DEVELOPMENT PROGRAM AND POLICIES OF THE INDONESIAN GOVERNMENT FOR 1978/79, THE LAST YEAR OF THE SECOND DEVELOPMENT PLAN. IN THIS RESPECT THE GROUP LEARNED THAT FOR THIS YEAR INDONESIA WOULD CONCENTRATE ON MAJOR EFFORTS TO INCREASE FOOD PRODUCTION. THERE WERE INDICATIONS THAT THE YIELDS OF THE PRESENT

HARVEST WOULD BE BETTER THAN IN THE PAST THREE YEARS. THE DEVELOPMENT OBJECTIVES TO BE PURSUED WOULD CONTINUE TO BE EQUITY, GROWTH AND STABILITY. THE GROUP ENDORSED THE INDONESIAN GOVERNMENT'S OBJECTIVE THAT ALL LAYERS OF SOCIETY SHOULD PARTICIPATE IN THE DEVELOPMENT PROCESS, AND THAT THE BENEFITS OF GROWTH SHOULD BE FAIRLY DISTRIBUTED. THE GROUP EMPHASIZED THE NEED TO EXPAND AGRICULTURAL PRODUCTION, PARTICULARLY OF FOODSTUFFS AND THE NEED TO LAY INCREASED EMPHASIS ON FOOD CROPS OTHER THAN RICE.

1. QUOTE THE VITAL ROLE PLAYED BY PRIVATE INVESTMENT -- BOTH DOMESTIC AND FOREIGN -- IN MEETING CAPITAL REQUIREMENTS FOR DEVELOPMENT WAS RECOGNIZED. THE GROUP NOTED WITH SATISFACTION THE INDONESIAN GOVERNMENT'S INTENTION TO CONTINUE ENCOURAGING THE EXPANSION OF PRIVATE SECTOR ACTIVITIES. THE GROUP WELCOMED THE MEASURES TAKEN BY THE GOVERNMENT TO FOSTER THE DEVELOPMENT OF LABOR INTENSIVE ACTIVITIES, IN PARTICULAR THE DEVELOPMENT OF SMALL AND MEDIUM SCALE RURAL INDUSTRIES. THIS WOULD CREATE EMPLOYMENT OPPORTUNITIES, ASSIST IN REDUCING INCOME DISPARITIES BETWEEN RURAL AND URBAN AREAS AND CONTRIBUTE TO THE EXPANSION OF EXPORTS.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 THE HA 02912 03 OF 03 270557Z
ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-08 FRB-01 INR-10 IO-14 NEA-11 NSAE-00 ICA-20

OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00

OMB-01 SS-15 XMB-04 NSC-05 STR-07 PA-02 L-03

DOE-15 SOE-02 OES-07 /169 W

-----004230 270615Z /14

R 261330Z MAY 78

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 2714

AMEMBASSY JAKARTA

INFO AMEMBASSY BONN

AMEMBASSY CANBERRA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

UNCLAS SECTION 3 OF 3 THE HAGUE 2912

USOECD

MANILA FOR USADB

13. QUOTE THE GROUP NOTED THAT NET RESOURCE TRANSFERS FROM ABROAD HAD DECLINED IN RECENT YEARS, PARTLY AS THE RESULT OF INCREASED DEBT SERVICE. THE GROUP WELCOMED THE INTENTION OF THE INDONESIAN AUTHORITIES TO KEEP BORROWING ON COMMERCIAL TERMS WITHIN PRUDENT LIMITS. IN THSI REGARD THE GROUP NOTED WITH SATIFACTION THAT THE GOVERNMENT HAD SUCCESSFULLY REPLACED ON MORE FAVORABLE TERMS A LARGE PART OF THE 1975 SYNDICATED CASH LOANS. THE GROUP ALSO ENDORSED THE WORLD BANK'S RECOMMENDATION THAT IGGI MEMBERS SHOULD PROVIDE OFFICIAL DEVELOPMENT ASSISTANCE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 THE HA 02912 03 OF 03 270557Z

ON THE SOFTEST POSSIBLE TERMS.

14. QUOTE THE GROUP AGREED THAT FOR 1978/79 A LEVEL OF \$2.5 BILLION OF EXTERNAL FINANCING COMMITMENTS SEEMED APPROPRIATE. OF THIS AMOUNT \$1.75 BILLION SHOULD BE ON CONCESSIONAL AND SEMI-CONCESSIONAL TERMS, INCLUDING SOME CONTRIBUTIONS FROM NON-IGGI MEMBERS. INDICATIONS WERE GIVEN THAT NEW COMMITMENTS FOR 1978/79 WOULD BE IN THE VICINITY OF THE TARGET RECOMMENDED BY THE WORLD BANK.

15. QUOTE THE GROUP EXPRESSED ITS SINCERE APPRECIATION FOR THE EXCELLENT ARRANGEMENTS PROVIDED BY THE GOVERNMENT OF THE NETHERLANDS AND DECIDED TO MEET AGAIN EARLY IN 1979. UNQUOTE.
BROWN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMUNIQUEs, PRESS RELEASES, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978THEHA02912
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780224-0513
Format: TEL
From: THE HAGUE USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780512/aaaaajrh.tel
Line Count: 316
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b47f3895-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2541647
Secure: OPEN
Status: NATIVE
Subject: PRESS COMMUNIQUE -- MEETING OF INTER-GOVERNMENTAL GROUP ON INDONESIA - AMSTERDAM, MAY 22-23, 1978
TAGS: EAID, ID
To: STATE JAKARTA
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/b47f3895-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014